

FOREIGN ASSISTANCE LEGISLATION FOR  
FISCAL YEAR 1979  
(Part 6)

---

HEARINGS  
BEFORE THE  
SUBCOMMITTEE ON  
ASIAN AND PACIFIC AFFAIRS  
OF THE  
COMMITTEE ON  
INTERNATIONAL RELATIONS  
HOUSE OF REPRESENTATIVES  
NINETY-FIFTH CONGRESS  
SECOND SESSION

Economic and Security Assistance  
in Asia and the Pacific

MARCH 7, 9, 14, 18, 21, AND 27, 1978

Printed for the use of the Committee on International Relations



I might interject at this point that we were sorry that we were unable to visit, because of the pressures of time. Pakistan, however, we make this a matter of the greatest urgency and priority for the next visit of this committee.

We are following events very closely in Pakistan, where the verdict in Mr. Blutto's trial is imminent, as well as the progress toward restoring democracy in Bangladesh.

I wonder if you would proceed, Mr. Dubs, with your statement? We can proceed in either fashion, either having your prepared statement inserted in the record, and since there is no objection to doing that, it is so ordered.

#### STATEMENT OF ADOLPH DUBS, DEPUTY ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. Dubs. First of all, let me express my appreciation for the opportunity to meet with the subcommittee, to discuss recent political and economic developments in South Asia. I think your suggestion of my summarizing my statement is a good one, and I will, therefore, submit my prepared statement for the record.

Mr. Wolff. I am sure Mrs. Meyner does not object to your summarizing your statement. That way we can make it official.

Mrs. MEYNER. I am sorry I was late, Mr. Chairman. I finished voting.

Mr. Dubs. Mr. Chairman, I also would like to take this opportunity once more to express my deep appreciation for your having invited me to be a member of your study mission delegation to the Far East and to South Asia. I think this was an excellent example of how members of the legislative and the executive branches of the Government can together study, think about, and review problems and opportunities that the U.S. Government faces in the conduct of our Government's foreign policy.

Let me just say a few words about South Asia in general. It is a region that, of course, is not problem free, but I hope I am right in saying tensions are at their lowest level since 1947. I think this is the result of significant developments that have taken place within the past year or two, and especially since my last testimony before this committee the previous March.

These significant developments include: (1) a continuation of the normalization process between India and Pakistan; (2) a continuing improvement of Pakistan-Afghan relations; (3) the conclusion of trade and transit agreements between India and Nepal; next, the settlement of some outstanding issues between Bangladesh and India, the most important of which was an interim agreement on the sharing of the Ganges River flows during lean periods—and one might also mention that an interesting development has been Iran's growing interest in the economic viability and political stability of South Asia; and, finally, it appears as though a productive dialog between Peking and New Delhi is taking place.

I want to point out that these developments, leading to a reduction of tensions, are primarily due to the efforts directed at cooperation rather than confrontation by all of the leaders of the countries of South Asia.

There is obviously a self-interest in cooperation and strenuous and vigorous efforts have been made by all concerned.

There is a desire to resolve problems between themselves and without outside interference, and this is a trend that we very much welcome as a government. We think our policy interests in that area are served by a reduction in tensions, thus permitting the countries of that region to devote more of their resources to the improvement of the human condition.

I would like to turn very briefly to each individual country in the area. The most dramatic development in India over this past year was the election of March 1977 in which the Indian electorate reaffirmed its commitment to democratic principles and practices. I thought it was rather interesting when we had our discussion in New Delhi that Foreign Minister Vajpayee said "We redeemed our pledge to restore individual liberties and freedoms, but we yet have to redeem our pledges to advance economic and social justice."

The Indian Government under the leadership of Prime Minister Desai, who impressed us all, is focusing on economic development, mainly an increase in agricultural production, on rural development and on the development of small-scale industry.

#### A VISIT WITH PRIME MINISTER DESAI

One of the highlights for us was the visit of President Carter to New Delhi in January, just before our arrival. I think a very cordial working relationship has been established between the President and Prime Minister Desai.

I wanted you to know that the President has invited Prime Minister Desai to visit the United States on June 13 and 14.

I might mention that in a high-level communication from Prime Minister Desai he alluded to your invitation to meet with members of the House International Relations Committee.

Mr. WOLFF. I have already discussed this with the chairman of the full committee, and he is agreeable to the meeting. We would hope you would communicate that back to Mr. Desai.

Mr. DUBS. We shall, indeed.

Pakistan, since July 1977 has been governed by a martial law administration under the leadership of General Zia-ul-Haq. He took over on grounds that former President Bhutto had rigged national elections, had detained political prisoners, indulged in the abuse of power and because civil war threatened.

As you know, General Zia did promise elections in October 1977 but these were postponed on grounds that former Prime Minister Bhutto was under trial. Presumably, General Zia did not think it would be useful to have elections until the courts had a chance to hear the charges against the former Prime Minister and render their decision. No dates have been set for new elections.

In the meantime, as the head of a caretaker government, General Zia has said he is leaving important policy decisions to a successor civilian government. We, as a government, of course, hope that there will be an early return to civilian government through democratic elections.

In Bangladesh, President Ziaur Rahman is gradually dismantling the structure of his martial law administration and giving increased

responsibility to civilian officials. Parliamentary elections have been promised for December 1978 and it is expected there may be a Presidential election earlier than December.

As far as the economy of Bangladesh is concerned, it has had three good harvests, but self-sufficiency in food is still some way off.

Sri Lanka—all of us know that an election was held there recently. For the sixth time in its history since it gained its independence, the incumbent government was defeated.

The election indicated, as it did in India, that the electorate there is committed to democratic principles and ideals and that that commitment is very firm and very impressive.

As far as the new government is concerned, it is placing increased emphasis on investment, the reduction of government subsidies, and it is encouraging the private sector.

With that very brief résumé, Mr. Chairman, I could also cover Afghanistan, where the situation is still very stable. President Daoud does not seem to have any opposition at the present time. Efforts are being made to increase economic growth, and the Government seems to be exerting efforts in that direction.

Having said that, let me leave the rest of the time for your questions.  
[Mr. Dubs' prepared statement follows:]

PREPARED STATEMENT OF ADOLPH DURE, DEPUTY ASSISTANT SECRETARY OF STATE  
FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS

Mr. Chairman, members of this Subcommittee, I am delighted to appear before you once again to discuss recent political and economic developments in the South Asian region as a backdrop to your consideration of FY 1979 economic and security assistance requests for countries in this area.

GENERAL

While South Asia is not problem-free, I believe it would be no exaggeration to say that regional tensions are perhaps at the lowest level since 1947. Favorable developments over the past year have contributed to this state of affairs. These developments include a continuation of the normalization process between India and Pakistan, reflected very recently in a visit by Indian Foreign Minister Jayprakash Narayan to Pakistan; a continued improvement in relations between Afghanistan and Pakistan; the negotiation of trade and transit agreements between Nepal and India; the conclusion of an Indo-Bangladeshi interim agreement on the sharing of Ganges water flows during lean periods; and a

positive effort by Iran to contribute to the economic well-being and stability of South Asia. Moreover, a constructive dialogue between India and China now seems under way.

The credit for these developments goes to the leadership of the individual countries. All have made a significant effort to improve relations with their neighbors. The trend that we are witnessing is one we have noted earlier, i.e., the increasing willingness and capability of regional countries to solve their own problems without outside interference. The stabilizing effects of this trend are very much in line with the foreign policy objectives of the United States. We believe that reduced tensions will permit the countries to devote increasing attention and resources to the problems of economic development and to an improvement in the human condition of the region's inhabitants.

#### INDIA

The most dramatic development of the past year was the March 1977 national election in India. These elections demonstrated the strong commitment of the Indian people to the democratic system with its emphasis on

individual freedoms and economic and social justice. It is a tribute to all involved that the transfer of power after the elections took place peacefully and without incident. The peaceful, democratic transition was widely acclaimed by the American people and by the Executive and Legislative Branches of our government.

The new Janata government, headed by Prime Minister Desai, has been formulating its domestic and foreign policies. The budget for Indian Fiscal Year 79 indicates that the new government is placing greater emphasis on rural development, increased agricultural production and on promoting small-scale industry. Efforts to implement these programs have only begun, and it remains to be seen how they will impact on the poverty and unemployment which afflict segments of Indian society.

The Indian Government's efforts in this area have been facilitated by the third consecutive year of good crops. Official figures are still not available for the 1977-78 crop year but it is expected that food

rain production will reach 119-121 million tons, perhaps the second best year in Indian history. Total economic growth has not been so dramatic and is not likely to exceed five percent in 1977-78.

On the external side, the highlight of the past year, from our point of view, was the visit by President and Mrs. Carter to India in January of this year. The visit went very well and an extremely warm and positive relationship has developed between Prime Minister Desai and the President. We look forward to continuing our dialogue with Prime Minister Desai when he makes a return visit here on June 13-14.

#### PAKISTAN

Pakistan has been governed since July, 1977 by a Martial Law Administration headed by General Zia-ul-Haq. General Zia stated that it was necessary to remove Prime Minister Zulfikar A. Bhutto because of the rigging of elections, the detention of political prisoners, widespread corruption, and the threat of civil war. General Zia promised to return the government to civilian control after free elections were held in October, 1977. Those elections were later postponed, however, on grounds that



charges against Bhutto should be resolved by the courts before elections took place. Although some observers speculate that elections may be held in the fall of 1978, no dates have been mentioned by Pakistani officials. The military leaders continue to refer to themselves as an interim regime which must leave most policy decisions up to a successor civilian government.

The economy began to drift before the end of the Bhutto period and the Martial Law Administration has taken few actions to reverse the trend.

Basic to the economic difficulties facing Pakistan is the disappointing performance of its agricultural sector which grew a modest 2.2 percent in 1977. Against a record wheat crop -- which fell short of covering Pakistan's requirements -- cotton production declined a third from traditional levels. On the public finance side, Pakistan is facing a mounting debt service problem and a persistent budget gap that can only be covered if politically-difficult economic policy measures are instituted. The single bright spot in the economy is the growth of remittances received from Pakistanis working overseas. They are predicted to climb to one billion dollars this year -- up by U.S. \$300 million from the most optimistic projection of six months ago.

**Page Not Available**

released for medical treatment in the U.S. Press censorship has been reduced and the Nepalese Government is seeking to develop institutions which will open the way to expanded participation in the economic and political processes of government.

#### AFGHANISTAN

Internally, the political situation is stable. President Daoud remains very much in control and faces no significant opposition. The process of political institution-building is moving ahead at a measured pace. In the past year, the Constitution and Party Charter were promulgated and a Vice President was named.

Afghanistan's relations with its neighbors are good and this contributes significantly to the region's political stability. President Daoud's recent trip to Pakistan was particularly significant and Afghan-Pak relations are better than they have been in years.

The economic situation in Afghanistan is mixed. Afghanistan remains one of the world's poorest countries with an estimated per capita income in the \$140-\$160 range and a literacy rate under 10 percent. Growth rates are low, estimated by the IMF at 3-4 percent per annum. Drought condi-

tions have prevailed over much of the country over the last two years and the domestic private sector continues to stagnate.

However, foreign exchange reserve holdings have reached record levels of almost \$300 million, the equivalent of about eight months of imports. Exports exceeded imports. Substantial amounts of hard currency are also being repatriated by Afghan migrant workers. The inflation rate is only 6-7 percent and there are some labor shortages particularly in the southern and western parts of the country.

#### Conclusion

Mr. Chairman, in appearing before this Subcommittee a year ago, I stated our government's goals in South Asia to be the following:

- improving regional stability and enhancing the ability of the regional states to resolve their bilateral problems without outside interference;
- strengthening the independence of South Asian nations and supporting their determination to avoid domination by any external power;

- providing economic assistance and humanitarian aid, when this is required, and assisting the nations of the area in their efforts to attack poverty;
- encouraging these nations to adopt constructive policies on major world economic and political issues;
- limiting U.S. sales of sophisticated arms and preventing nuclear proliferation;
- fostering, so far as we are able, the promotion of human rights and the democratic process; and,
- reducing the production of narcotics and their supply to the world's illicit market.

These goals remain applicable, Mr. Chairman, and much has been accomplished in the past year as a result of initiatives taken and efforts made by leaders in all of the countries of the region.

Mr. WOLFF. Thank you very much, Mr. Dubs.

Since you have talked somewhat in generalizations, I note we have some specific questions.

#### AID TO INDIA

One question that has been raised in the case of India, we notice, is the matter of economic assistance. There is some \$90 million proposed for fiscal year 1979; in development aid, for a total, including Public Law 480, of about \$220 million. That is aside from any other type of assistance that is going to India.

I believe if you add up all of the assistance it represents, I think, in addition to our participation in international organizations, it amounts to somewhere around \$500 million.

How can we justify \$500 million to India today when they have a surplus in their balance of payments and their gold reserve? That puts them in a much better financial position than we.

Mr. Dubs. Mr. Chairman, I think that is a very pertinent question. What we do have to remember is that India is a country with immense developmental problems. If we, as a nation, have decided to aid those who are afflicted by poverty and destitution, certainly the entire South Asian area is a region to which we have to devote some attention.

I was rather interested during our visit in hearing the Finance Secretary say that 90 percent of India's developmental resources come from internal sources. The other 10 percent comes from foreign donors. He also noted that the basic problem of development is India's—it has to devise effective policies to meet developmental needs and vast unemployment.

India's development requirements remain massive. Per capita income is still around \$150 a year.

Mr. WOLFF. And even if all that aid were given, that is less than \$1 per person.

Mr. Dubs. Yes, sir, savings in capital formation are not adequate for developmental needs. Agricultural production is increasing only slightly faster than population growth; and here I think there is a very important point to be made.

I think the projections with respect to world food production indicate that there will be a very serious shortfall by the end of the late 1980's or early 1990's, and as one looks at India there is a tremendous potential for increasing agricultural production, especially in the Granges River plain and basin. It seems to us this is one of the greatest areas for increased agricultural production, and I think that we, through our developmental assistance, Mr. Chairman, can transfer certain types of technology, including intermediate technology, to assist the Indians in their developmental efforts.

I have only one other point: India is a democratic country. It is trying to undertake its development process under democratic conditions. Our common ideals and our common objectives lead me to believe that this is a country that warrants our sympathy, our understanding, our assistance, our help. Our hope has always been that development could be achieved under democratic conditions and, therefore, I would suggest, as I think you would, too, personally, Mr. Chairman, this is a country which warrants our continued help.

We will have to measure very closely how that assistance can be helpful, how it can fit into India's own developmental strategy; and that is our intention.

## INDIAN OCEAN

Mr. WOLFF. I recall that you were present when Mr. Desai offered to act as a "buffer," an intermediary between ourselves and the Soviets regarding the Indian Ocean. I spoke to Les Gelb yesterday, who was at the recent negotiations on the Indian Ocean, and he did not seem to know about this offer.

I wonder if you could tell us whether or not this had been transmitted to the Department and whether or not this information was made available?

Mr. DUBS. It was made available, Mr. Chairman, through a cable from New Delhi to Washington shortly after your delegation's meeting with the Prime Minister.

Mr. WOLFF. I take it the Department does not think they need an intermediary?

Mr. DUBS. Let me put it this way: We are negotiating with the Soviets at many different levels and on many different subjects—comprehensive test ban treaty, SALT, mutual and balanced force reductions, Indian Ocean—and we do have good and continuing and excellent contacts with the Soviet Union. However, we have not overlooked the Prime Minister's suggestions, and I just might add here, there has been a continuing dialog between the President and the Prime Minister through which various ideas in the disarmament field have been voiced.

Mr. WOLFF. I have one final question. I know my colleagues have some questions for you.

This troubles me, and this is outside of India. I have before me a news story from the Washington Post, Saturday, December 10, 1977; it says the Dalai Lama has had his request to visit the United States refused as "inconvenient" by the United States. I do not understand the "inconvenience." I do not think we can be "inconvenienced" when it comes to the question of human rights.

Here there was an interest expressed in coming to our country. Are we selective in our policies? This is just for a visit, as I understand it. The State Department has issued a polite refusal to the request of the Tibet spiritual leader's office in New York, to allow a visit by the Dalai Lama. State told the Tibetans it would be "inconvenient at this time. It was based on a number of factors, but we are not specifying those factors," the Department is quoted as saying.

What may be inferred here is a visit might ruffle the feathers of the PRC. If you do not have the answer to this, maybe you could provide it for the record?

Mr. DUBS. May I do so? And I shall.<sup>1</sup>

Mr. WOLFF. Mr. Guyer.

Mr. GUYER. Mr. Dubs, it is good to have you here again. I notice the last time we had a dialog here we did discuss the possibility of providing assistance in the form of narcotics substitution crops, especially with regard to two countries, Pakistan and Afghanistan. You had indicated then you would look into that.

Has there been any progress in that direction at all?

Mr. DUBS. With respect to Afghanistan?

Mr. GUYER. Yes.

<sup>1</sup> This information was subsequently provided directly to the chairman by Deputy Assistant Secretary Dubs.

Mr. DUBS. We now have formed a joint commission, consisting of Afghan representatives, U.N. representatives, and U.S. representatives, and one of the projects that is now under development is a substitution program in the Upper Helmand River Valley.

Mr. GUYER. That will take the place of the opium coming out of there?

Mr. DUBS. Exactly. If this works, Congressman Guyer, we would hope we could apply that to other sectors in Afghanistan.

There is also a project in Pakistan. Unfortunately, it has not yet come to fruition, but we would hope with constant reminders that we could work more effectively on this.

Mr. GUYER. What is their national problem there? I notice they have one of the lowest per capita income levels, and literacy of only about 10 percent. Is this an ongoing situation that has no remedial promise?

Mr. DUBS. No; on the contrary, I think strenuous efforts are being made in both Afghanistan and Pakistan to increase the literacy rate, and much of our own aid is directed into the education field.

Mr. GUYER. The only other question I have, with regard to the nuclear assistance for India, in terms of heavy water, has there been anything resolved since the President was there? Remember, he discussed that. We have a situation between the Soviet Union and the United States as being providers.

How does that stand right now?

Mr. DUBS. That question is under review in the Department of State at this very time. The question is how heavy water can and might be provided to India in response to the President's—

Mr. GUYER. They do have an agreement with the Soviets do they not?

Mr. DUBS. Yes; for the supply of heavy water for the atomic power plants at Rajasthan. That heavy water is supplied under IAEA safeguards. India has worked out with IAEA safeguard arrangements with respect to the heavy water going into Rajasthan.

Mr. GUYER. Are there any human rights provisions built into our agreement with them, compliance that would be eligibility requirements?

Mr. DUBS. I will have to check into that.

Mr. GUYER. I would like to have a future report on that. I think it is a concern.

That is all I have.

#### AID TO BANGLADESH

Mr. WOLFF. Mrs. Meyner.

Mrs. MEYNER. Thank you, Mr. Chairman.

Mr. DUBS. I just have a couple of questions regarding our aid to Bangladesh. A couple of articles have come to my attention, one of them called "The Food Bungle in Bangladesh" which appeared in Foreign Policy magazine this summer and is coauthored by Donald McHenry. The other, "Bangladesh Aid," appeared in the March edition of the Nation. I do not know whether you have seen these. They come to basically the same conclusions, that aid to Bangladesh, especially our food aid, has not been structured to assist the needy, but rather to serve the political purpose of the Government.



**Page Not Available**

Mrs. MEYNER. I know it is very difficult to trace it in all directions and add it up. I was disturbed by these two articles.

Mr. DUBS. The points are very well taken.

[The information follows:]

#### INFORMATION REGARDING PUBLIC LAW 480 PROGRAMS IN BANGLADESH

Nine AID employees in Bangladesh, Americans and Bangladeshis, monitor shipment, storage and distribution of food grains provided under Public Law 480 programs. Three of them are involved in monitoring Food For Work programs, which provide employment and Title II wheat to the rural poor. In addition, four other AID employees monitor other aspects of the food situation, such as food prices and the Bangladesh Government's program to procure domestically produced food grains.

Ms. MEYNER. Thank you very much. Thank you, Mr. Chairman.

#### A-7'S TO PAKISTAN

Mr. WOLFF. I would like to get to one of the countries we alluded to but have not yet questioned you on, Mr. Dubs; that is, Pakistan. A sore point between Pakistan and us is the question of A-7's. What is happening to that?

Mr. DUBS. Mr. Chairman, we made a decision not to supply or sell A-7's to Pakistan on grounds this would introduce a new sophisticated weapons system into the South Asian region; and that decision stands.

Mr. WOLFF. Have we offered anything else to them in lieu of that?

Mr. DUBS. No, sir, they have made no other requests.

Mr. WOLFF. I know they have made no other requests, but at the same token, if we do not want to introduce a new weapon system, maybe they might accept an old weapon system. It is a point of difference between our two Governments, especially in view of the fact the Pakistanis have felt they are being somewhat deserted by our Government.

Are there any ongoing negotiations or talks with reference to FMS sales or the like? I notice we have nothing down here. Virtually every other country involved there has something down there for them.

Mr. DUBS. The sales, that is, military sales to Pakistan are for cash only, so there is no FMS financing of sales. Within the last 2 years, since the arms embargo was lifted in 1975, we have provided Pakistan with roughly \$100 million worth of equipment in 1976 and 1977.

These sales include TOW launchers and missiles, sidewinder missiles, 25 tank recovery vehicles, ammunition, communication equipment, and armored personnel carriers.

Mr. WOLFF. The other major point of contest is the question of the nuclear plant. I take it you are fairly up-to-date as to what is happening on negotiations between the Pakistanis and the French? Could you tell us what the status of that situation is, not only the French but the status of our situation with the Pakistanis?

Mr. DUBS. On January 9, the French Foreign Ministry announced it was seeking to alter the contract for the reprocessing facility in favor of a design which would not produce weapons-usable plutonium. These discussions are continuing, Mr. Chairman, and I am not familiar with the exact status of the discussions between Paris and Islamabad in this connection.

We do know no transfers of sensitive equipment or technology have taken place since last August 4 when the Glenn amendment came into effect.

#### EXCESS CURRENCIES

Mr. WOLFF. I would like to get back to the point that has troubled me for a long time, and that is authorization of our excess currencies. I know the great conflict between, not you, but the Department and me, as to what is available. The latest information I get does not answer the question I posed when we were in India.

That is, the amount of local currency that is available to the United States and is accruing to the United States and will be available to the United States to the year 2000. I have the figures, and you go up to 1977. The point I am trying to get at is the fact that the Department has indicated that we have about 5 or 6 years, I believe it was what they said—I am not certain the exact number of years.

Mr. DUBS. It may be longer.

Mr. WOLFF. I have a balance on hand here.

Mr. DUBS. For possibly 10 years.

Mr. WOLFF. That is 10 years if you took the amount that is on hand today. But as I understand it, there is still accruing to us each year a substantial amount. And instead of there being some \$6.8 billion or almost \$7 billion in rupees in our contract now, which is 8 to the dollar.

Mr. DUBS. Eight to the dollar roughly.

Mr. WOLFF. That would be almost \$1 billion. There is somewhere between \$2 billion to \$3 billion or it could even approach \$4 billion ultimately by the year 2000.

With my junior Senator from New York signing off on \$2 billion of the original debt, we are concerned as to the utilization of these funds. It has proven to be an embarrassment of riches from time to time. It has proven to be a source of contest between ourselves and the Indian Government, because at one period before that check was signed off, I think we had more in the way of funds accruing to the United States than they had in the Indian Treasury.

It was something that overhung the Indian Government as a debt that could have a destabilizing effect upon them. My interest always has been to stimulate the utilization of these currencies in development assistance. This would provide for the Indians to have a utilization of the funds, not as a second time around, as some of the local people have tended to indicate, because if we had intended this as grant aid at the outset, it would have been given as grant aid.

This was a sale, a credit sale, that was intended at some time to be paid because at the same time we did give this aid, there was grant assistance as well. This was repayment in local currency.

Every time I bring the question up, someone throws up their hands and says, "We really do not know." I should think that much of these funds could be used in some fashion for technical assistance. If the Indian Government needs the help that you indicate that it does, it would seem to me that technical assistance paid for in local currency, that was acceptable in local currency, could do well to help the Indian Government to accomplish their objectives.

Mr. DUBS. I understand your point very well.

Mr. WOLFF. I have made this point, I want you to know, not as chairman but as a member of this committee now for, I think, something like 8 years. Everybody always understands it, but I have to make it again the next year around.

Mr. DUBS. My experts tell me that using these so-called excess rupees would not really constitute a transfer of real resources.

Mr. WOLFF. That depends entirely upon how they are used.

Mr. DUBS. Right.

Mr. WOLFF. They did not represent a transfer of resources when Mr. Moynihan signed the check.

Mr. DUBS. Some use is being made. Let me put it this way, Mr. Chairman—

Mr. WOLFF. Maybe we ought to build another Embassy because we do not have a large enough one there now.

Mr. DUBS. Let me put it this way. We now have an AID strategy team in India taking a look, trying to ascertain what is practical, what would be useful, what would be effective in the way of a long-term development strategy toward India.

May I look into the problem once more of what the possibilities are of using the excess rupees for technical assistance? We have an expert with us, I see, Mr. Lande, who is our country's Director for India, Nepal, and Sri Lanka. Shall I ask him if he wants to make any comments?

Mr. WOLFF. I would appreciate it.

Would you identify yourself?

#### STATEMENT OF PETER LANDE, DIRECTOR OF OFFICE OF INDIA, NEPAL, AND SRI LANKA AFFAIRS, DEPARTMENT OF STATE

Mr. LANDE. My name is Peter Lande, Department of State.

I think we have sent up the numbers. We have possibly \$800 million. It depends on your exchange rate; roughly that. We do have some accruing, you are quite right. It is the repayment of the old Cooley loans. These are gradually being paid off.

Every year we receive a little less because the capital is being paid off as well as the interest. I put this all in a letter; I do not have the numbers with me. The amount we get every year is very small. It does not affect us to any significant extent.

What we have here, it depends on your estimate of inflation, we may have 10 years, 8 years, 7, 9, I do not know, somewhere in the period of 6 and 10 years, if rupees are used at the rate we are using them right now. We are using rupees for aid programs. We are paying for all the ocean freight for title II. We are paying for the handling charges, port charges, everything like that.

We are paying for all the AID mission costs, as well as Embassy costs. All our agencies that operate in India use the rupees. That is our primary use. We also in one case, in the case of the St. John's Hospital, which I think you may be aware of, we did make use of rupees for grants for a particular purpose.

AID is still looking into the possibility of other uses. It is a different situation now. The days when this was almost treated like monopoly money are over. As you pointed out, we have something like 20 percent of the Indian currency. The interest rate at that time was  $1\frac{1}{2}$  percent, and we were earning more at  $1\frac{1}{2}$  percent than we could spend.